GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:2715
ANSWERED ON:19.03.2007
ASSAM GAS CRACKER PROJECT
Subba Shri Moni Kumar

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) Whether Assam Gas Cracker Project has been inordinately delayed by over two decades;

(b) if so, the progress made in the matter stage-wise and the reasons for the delay;and

(c) the steps being taken to expedite the projects?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS & FERTILIZERS AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI BX.HANDIQUE)

(a) Yes Sir,

(b)&(c): Clause 7 of the Assam Accord, 15th August 1985 states that the Government takes the opportunity to renew commitment for the speedy all round economic development of Assam, so as to improve the standard of living of the people. Special emphasis would be placed on education and science and technology through establishment of national institutions. The Assam Gas Cracker Project was initiated in pursuance of this clause. Initially this project was to be implemented by the Assam Industrial Development Corporation (AIDC) and Reliance Industries Ltd(RIL) under a Joint Venture Company viz. Reliance Assam Petrochemicals Ltd(RAPL). The Government on 3rd September 1994 approved a capital subsidy of Rs. 377 crores for the project. The Ministry of Petroleum & Natural Gas (P&NG) had committed to making available associated gas for production of 2 lakh TPA of Ethylene. An agreement was signed between Oil India Limited (OIL) and RAPL on 19th October 2000 for the supply of 5 Million Standard Cubic Meter (MMSCMD) of gas, which was considered adequate for production of 1.30 lakh TPA of Ethylene.The remaining gas was to be supplied by Oil and Natural Gas Commission (ONGC).ONGC agreed to make available 1.35 MMSCMD of gas. However, due to declining quantity/quality (due to the age of the oil wells) of gas from ONGC, it was found to be adequate for 28,000 TPA of Ethylene for the first five years and 15,000 TPA for the remaining period of 10 years i.e. a total of 1.80 TPA of ethyiene. RAPL felt that a project below two lakh TPA of Ethylene would not be viable and they insisted on adequate gas for production of 2 lakh TPA of Ethylene. The Ministry of P&NG considered the matter further and agreed to supply LPG through the Indian Oil Corporation (IOC) to make up for the shortfall in the supply of gas. The subsidy amount over a period of 15 years worked out to more than Rs 6673 crores (for capital, infrastructure and feedstock subsidy). A Cabinet note was sent on May 29th, 2003 for the approval of subsidizing the supply of gas/ LPG at a rate of Rs. 600 per thousand cubic meter of gas for production of 2 lakh TPA of Ethylene over a period of 15 years and authorizing Ministry of Finance to determine the modalities for release of subsidy to the oil and gas companies. Cabinet Secretariat observed that this project was conceived in 1985, and since then, there have been many changes in the Government policy as well as in the market conditions especially during the post liberalization. Cabinet Secretariat suggested that the Committee of Secretaries should first consider the proposal before it is submitted to the Cabinet. While furnishing comments on the note for Committee of Secretaries, Ministry of Finance suggested that views of GAIL (India) Limited a PSU of the Government should be taken about the viability of this project and their willingness to take up the project. Finally, GAIL was identified as the lead promoter of this project by Ministry of Petroleum and Natural Gas. The Public Investment Board (PIB) considered the proposal sent by MoPNG in its meetings held on 15.4.2005, 8.7.2005 and 23.9.2005. The project has finally been approved by the Government in April 2006. However, the Ministry of P&NG and GAIL wanted additional comfort for the feedstock suppliers for this project over and above those approved by Government. A Joint Venture Company namely `Brahmaputra Crackers and Polymers Limited` has been incorporated in January 2007 for implementation of this project, with GAIL India Ltd. (GAIL) having 70% equity participation, Oil India Ltd. (OIL), Numaligarh Refinery Ltd. (NRL) and Assam Industrial Development Corporation (Government of Assam) each with 10% equity participation. On the issue of additional comfort for feedstock suppliers, the PIB on 12th of February 2007 deliberated on the Supplementary Note, seeking approval for additional support from the Government of India on account of escalation of Feedstock prices and other changed project parameters like escalation in operating costs, increase in interest rate, non-availability of exemption by Government of Assam on Works Contract Tax and increase in IRR, forwarded by the MoP&NG. The PIB recommended amongst other things that the project may be implemented expeditiously in terms of the parameters approved by CCEA, Feedstock suppliers shall execute feedstock supply agreements with the JVC immediately, etc.